

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Finance and Tax Committee

**BILL:** CS/CS/SB 2322

**INTRODUCER:** Finance and Tax Committee, Community Affairs Committee, and Senator Bennett

**SUBJECT:** Energy Improvement Districts

**DATE:** April 6, 2010

**REVISED:** \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Gizzi	Yeatman	CA	<b>Fav/CS</b>
2.	Wiehle	Caldwell	CU	<b>Favorable</b>
3.	Fournier	McKee	FT	<b>Fav/CS</b>
4.			WPSC	
5.				
6.				

**Please see Section VIII. for Additional Information:**

- |                              |                                     |   |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes        |
| B. AMENDMENTS.....           | <input type="checkbox"/>            | Technical amendments were recommended   |
|                              | <input type="checkbox"/>            | Amendments were recommended             |
|                              | <input type="checkbox"/>            | Significant amendments were recommended |

**I. Summary:**

CS/CS/SB 2322 provides supplemental authority for local governments to finance energy efficiency and renewable energy improvements, and changes or improvements made for the purpose of improving a property's resistance to wind damages for property owners that wish to participate in this financing program on a voluntary basis.

The bill authorizes local governments to levy a non-ad valorem assessment for such improvements that shall be repaid through an assessment, a municipal or county lien, or other lawful method. The bill also grants local governments the authority to issue debt, payable from revenues received from the improved property, and to partner with one or more local governments for the purpose of providing such improvements.

The bill deletes an obsolete requirement that the Public Service Commission (PSC or commission) adopt rules for a renewable portfolio standard. It also requires that the commission provide for full cost recovery for certain renewable energy projects; provides a legislative finding of need for these projects, presumably avoiding the existing statutory requirement for the PSC to make such a determination; and requires that the commission approve a petition filed by a provider for approval of a facility after considering specified factors. Finally the bill redefines

the term “electrical power plant” for purposes of the Florida Electrical Power Plant Siting Act to exclude solar electrical generating facilities.

The bill substantially amends sections 366.92 and 403.503 of the Florida Statutes. It also creates section 163.08 and 366.921 of the Florida Statutes.

## II. Present Situation:

### Property Assessed Clean Energy (PACE) Financing

Property Assessed Clean Energy (PACE) financing allows property owners to borrow money from a newly established “municipal financing district” to purchase renewable energy devices for their home.<sup>1</sup> These newly established districts provide funding to participating homeowners through the issuance of local revenue bonds that are repaid through special assessments that act as liens on the property until the amount is paid off.

This modern policy trend was facilitated by the passage of the American Recovery and Reinvestment Act (ARRA), which repealed a former restriction that limited the use of Investment Tax Credits (ITC) on projects that also provided energy financing.<sup>2</sup> Berkeley, California was the first city to implement PACE financing in November 2008, through The Berkeley First Program by adding the costs for energy efficiency improvements to the homeowner’s annual property tax bill paid over a period of twenty years.<sup>3</sup> PACE financing programs begin with state legislation that authorizes the creation of special taxing districts to issue bonds to real estate applicants to purchase energy efficiency devices.<sup>4</sup> As of November 2009, the following 16 states have passed enabling legislation for PACE financing:

- California (AB 811)
- Colorado (HB 08-1350)
- Illinois (SB 583)
- Louisiana (SB 224)
- Maryland (HB 1567)
- Nevada (SB 398)
- New York (AB 8862)
- New Mexico (HB 572)
- North Carolina (SB 97)

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<sup>1</sup> Fir Tree Partners *PACE Finance: Innovative Funding to Accelerate the Energy Retrofit of America’s Buildings*, Oct. 2009 (Slideshow Introduction to PACE- Washington D.C. Presentation 10-6-09) available online at [http://pacenow.org/documents/Basic\\_Slide\\_Intro\\_to\\_PACE.pdf](http://pacenow.org/documents/Basic_Slide_Intro_to_PACE.pdf) (last visited March 8, 2010).

<sup>2</sup> Interstate Renewable Energy Council (IREC), *2009 Updates and Trends* at 2 (Presented on Oct. 26, 2009, in Anaheim, CA) (Barnes, Justin, Rusty Haynes, Amy Heinemann, Brian Lips and Amanda Zidek-Vanega; NC Solar Center) available online at [http://www.dsireusa.org/documents/PolicyPublications/IREC\\_Updates\\_%20Trends\\_2009.pdf](http://www.dsireusa.org/documents/PolicyPublications/IREC_Updates_%20Trends_2009.pdf) (last visited on March, 8 2010).

<sup>3</sup> BerkeleyFIRST, *Financing Initiative for Renewable and Solar Technology: Program Details*, available online at <http://www.berkeleyfirst.renewfund.com/learn-more/program-details> (last visited on March 8, 2010). (As a city in a charter county, Berkeley was permitted to develop a PACE financing program independent of state enabling legislation.)

<sup>4</sup> Fir Tree Partners, *See supra* note 1. (Note- pursuant to article VII, section 1(g) of the State Constitution, cities or counties operating under county charters may be permitted to develop PACE programs without enabling state legislation, through locally adopted ordinances).

- Ohio (BH 1)
- Oklahoma (SB 668)
- Oregon (HB 2181 & HB 2626)
- Texas (HB 1391 & HB 1937)
- Vermont (H 446)
- Virginia (SB 1212)
- Wisconsin (AB 255)<sup>5</sup>

Both Florida and Hawaii currently have the existing statutory authority to launch PACE programs.<sup>6</sup> The primary incentive for PACE programs is to eliminate high up-front cost barriers for property owners to install renewable energy sources while providing an alternative revenue source to finance energy efficiency projects without impacting the state budget.<sup>7</sup>

### Counties

Article VIII, section 1 of the State Constitution requires the state of Florida to be divided into political subdivisions known as counties which shall provide state services at the local level. There are two types of counties that are recognized under the Florida Constitution: 1) counties that are not operating under a county charter and 2) counties that are operating under a county charter.<sup>8</sup>

**Non-Charter Government-** As provided in Article VIII, section 1(f), of the State Constitution:

Counties not operating under county charters shall have such power of self-government as is provided by general or special law. The board of county commissioners of a county not operating under a charter may enact, in a manner prescribed by general law, county ordinances not inconsistent with general or special law, but an ordinance in conflict with a municipal ordinance shall not be effective within the municipality to the extent of such conflict.<sup>9</sup>

**Charter Government-** Charter counties were created in 1968 when they were implemented into Article VIII, section 1(g), of the State Constitution, providing that:

Counties operating under county charters shall have all powers of local self-government not inconsistent with general law, or with special law approved by vote of electors. The governing body of a county operating under a charter may enact county ordinances not inconsistent with general law. The charter shall provide which shall prevail in the event of conflict between county and municipal ordinances.<sup>10</sup>

Although a non-charter county can be established through general law, a county charter can only be adopted, amended, or repealed through a special election by the vote of the electors in that

<sup>5</sup> Fir Tree Partners, *See supra* note 1.

<sup>6</sup> *Id.*

<sup>7</sup> Interstate Renewable Energy Council (IREC), *See supra* note 2.

<sup>8</sup> Art. VIII, s. 1(f)-(g), of the Florida Constitution.

<sup>9</sup> Art. VIII, s. 1(f), of the Florida Constitution

<sup>10</sup> Art. VIII, s. 1(g), of the Florida Constitution

county. Unless otherwise provided in a county charter or special law, the electors of each county must elect the following constitutional officers for a four-year term: a sheriff, a tax collector, a property appraiser, a supervisor of elections, and a clerk of circuit court.<sup>11</sup>

### **Municipalities**

Article VIII, section 2, of the State Constitution authorizes the Legislature to establish or abolish municipal governments pursuant to general or special law. A municipality is a local government entity located within a county that is created to perform additional functions and services for the particular benefit of the population within the municipality. The Municipal Home Rule Powers Act, granted in Art. VIII, section 2(b), of the State Constitution, states that a municipality may provide any governmental, corporate, or proprietary powers necessary so long as: 1) it is for a municipal purpose, and 2) it is not otherwise prohibited by general or special law.<sup>12</sup> The Florida Supreme Court considers any activity that is “essential to the health, morals, protection and welfare of the municipality” to be a valid municipal purpose.<sup>13</sup> While municipalities and charter counties have constitutional home rule power, non-charter counties only have home rule powers as provided by law.

### **Chapter 125, Florida Statutes**

The legislative enactment of s. 125.01, F.S., provided unchartered counties with the authority to exercise home rule powers that are not inconsistent with general or special law.<sup>14</sup> These statutory powers and duties include but are not limited to, the power to:

- Provide fire protection, ambulance services, parks and recreation, waste and sewage collection and disposal, and water and alternative water supplies;
- Enter into agreements with other governmental agencies within or outside the boundaries of the county for joint performance, or performance by one unit in behalf of the other, of any of either agency’s authorized functions;
- Levy and collect taxes, fees and special assessments for certain county and municipal services, borrow and expend money, and issue bonds, revenue certificates and other obligations of indebtedness, according to general law; and
- Adopt ordinances and resolutions along with fines and penalties for the violation of such ordinances.<sup>15</sup>

Counties may also establish and subsequently merge or abolish dependent special districts that include both incorporated and unincorporated areas, subject to the approval of the governing body of the affected incorporated area and to the extent, not inconsistent with general or special law.<sup>16</sup> The municipal services and facilities within the district may then be provided through funds derived from services charges, special assessments or taxes within the district.<sup>17</sup>

<sup>11</sup> Art. VIII, s. 1(d), of the Florida Constitution

<sup>12</sup> *City of Boca Raton v. Gidman*, 440 So.2d 1277 (Fla. 1983) (providing money for a daycare is a valid municipal purpose that was not precluded by the city charter).

<sup>13</sup> *State v. City of Jacksonville*, 50 So.2d 532,535 (Fla. 1951) (stating that “municipal purpose” is broadly interpreted to include the maintenance and operation of a radio broadcasting system by the city).

<sup>14</sup> Section 125.01(2)(b), F.S.

<sup>15</sup> Sections 125.01(1)(d)(e)(k)(p)(r) and (t), F.S.

<sup>16</sup> Sections 125.01(5)(a), F.S.

<sup>17</sup> *Id.*

### **Special Districts**

Special Districts are governed by the Uniform Special District Accountability Act of 1989 under ch. 189, F.S. A special district is a confined local government unit established for a special purpose that can be created by general law, special act, local ordinance, or by rule of the Governor or the Cabinet.<sup>18</sup> There are two types of special districts: independent districts and dependent districts. Dependent special districts are created at the prerogative of individual counties and municipalities and meet at least one of the following criteria:

- The membership of its governing body is identical to the governing body of a single county or municipality.
- All members of its governing body are appointed by the governing body of a single county or municipality.
- During their unexpired terms, members of the special district's governing body are subject to removal at will by the governing body of a single county or municipality.
- The district has a budget that requires approval through an affirmative vote or can be vetoed by the governing body of a single county or municipality.<sup>19</sup>

Independent special districts can only be created through legislative authorization and may encompass more than one county.<sup>20</sup> The policy behind independent special districts is to provide an "alternative method to manage, own, operate, construct and finance basic capital infrastructure, facilities and services".<sup>21</sup> Pursuant to s. 189.404(3), F.S., and with the exception of community development districts, general laws or special acts that create or authorize the creation of an independent special district must provide the following information in their charters:

- The purpose of the special district;
- The powers, functions and duties of the special district relating to ad valorem taxes, bonds and other revenue-raising abilities, budget preparation and approval, liens and lien foreclosures, and the use of tax deeds and certificates for non-ad valorem assessments and contractual agreements;
- The methods for establishing the district and amending the charter;
- The membership, organization, compensation, and administrative duties of the governing board and its members;
- The applicable financial disclosure, noticing and reporting requirements;
- The procedures and requirements for issuing bonds, if applicable;
- The election procedures and requirements;
- The methods for financing the district;
- The authorized millage rate and method(s) for collecting non-ad valorem assessments, fees, or service charges;
- The planning requirements; and

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<sup>18</sup> Section 189.403, F.S.

<sup>19</sup> Section 189.403 (2), F.S.

<sup>20</sup> See s. 189.403 (3), F.S.

<sup>21</sup> Section 189.402 (4), F.S.

- The district boundaries.<sup>22</sup>

The Department of Community Affairs maintains and updates an official list of all the special districts within the state of Florida on October 1 of each year. Additionally, the department's Special District Information Program (SDIP), provides detailed information on the individual functions and status of each special district. To date, there are 1,622 special districts in the state of Florida: 1007 independent districts and 615 dependent districts. Of the total number, 69 districts are multicounty districts and 1,553 are single county districts, and include various types of special districts which include but are not limited to: community development districts (576), community re-development districts (201), drainage and water control districts (94), fire control and rescue districts (67), mosquito control districts (18), neighborhood improvement districts (33), and soil and water conservation districts (63).<sup>23</sup>

### Special Assessments

Special assessments are a revenue source that may be used by local governments to fund certain services and maintain capital facilities. Unlike taxes, these assessments are directly linked to a particular service or benefit. Examples of special assessments include fees for garbage disposal, sewer improvements, fire protection, and rescue services.<sup>24</sup> Counties and municipalities have the authority to levy special assessments based on their home rule powers. Special districts derive their authority to levy these assessments through general law or special act.

As established in Florida case law, an assessment must meet two requirements in order to be classified as a valid special assessment:

- 1) The assessment must directly benefit the property, and
- 2) The assessment must be apportioned fairly and reasonably amongst the beneficiaries of the service.<sup>25</sup>

These special assessments are generally collected on the annual ad valorem tax bills; characterized as a "non-ad valorem assessment" under the statutory procedures in ch. 197, F.S.<sup>26</sup> Section 197.3632(1)(d), F.S., defines a non-ad valorem assessment as "those assessments that are not based upon millage and which can become a lien against a homestead as permitted in s. 4, Art. X, of the State Constitution".<sup>27</sup>

### Renewable Energy

Subsection 366.92(3), F.S., was enacted in 2008. It requires the Public Service Commission (PSC or commission) to adopt rules for a renewable portfolio standard (RPS) requiring each

<sup>22</sup> Section 189.404(3)(a) – (o), F.S.

<sup>23</sup> Florida Department of Community Affairs, *Official List of Special Districts Online*, available at <http://www.floridaspecialdistricts.org/OfficialList/index.cfm> (last visited on March 8, 2010).

<sup>24</sup> See *Harris v. Wilson*, 693 So. 2d 945 (Fla. 1997); *City of Hallandale v. Meekins*, 237 So. 2d 578 (Fla. 2d DCA 1977); *South Trail Fire Control Dist., Sarasota County v. State*, 273 So. 2d 380 (Fla. 1973); and *Sarasota County v. Sarasota Church of Christ*, 641 So. 2d 900 (Fla. 2d DCA 1994).

<sup>25</sup> *City of Boca Raton v. State*, 595 So. 2d 25, 29 (Fla. 1992).

<sup>26</sup> *Primer on Home Rule & Local Government Revenue Sources* at 35 (June 2008).

<sup>27</sup> Section 4(a), Art. X, of the State Constitution, provides, in pertinent part that "[t]here shall be exempt from forced sale under process of any court, and no judgment, decree, or execution shall be a lien thereon, except for the payment of taxes and assessments thereon ..."

provider to supply renewable energy to its customers directly, by procuring, or through renewable energy credits. It provides that the rule cannot be implemented until ratified by the Legislature, and requires the commission to present a draft rule for legislative consideration by February 1, 2009. The PSC presented its Draft Renewable Portfolio Standard Rule report on January 30, 2009. RPS legislation was filed in the 2009 Regular Session, but did not pass. The language is now obsolete as the PSC has completed its report and the legislative review has been accomplished.

Subsection 366.92(4), F.S., requires the PSC to provide for full cost recovery under the environmental cost-recovery clause of all reasonable and prudent costs incurred by investor-owned utility (IOU) for renewable energy projects that are zero greenhouse gas emitting at the point of generation, up to a total of 110 megawatts statewide, and for which the provider has secured necessary land, zoning permits, and transmission rights within the state. The costs must be deemed reasonable and prudent for purposes of cost recovery so long as the provider has used reasonable and customary industry practices in the design, procurement, and construction of the project in a cost-effective manner appropriate to the location of the facility. Pursuant to this subsection, Florida Power and Light is constructing three solar projects, a 25 megawatt solar photovoltaic project in Desoto County, a 75 megawatt solar thermal project co-located with an existing combined-cycle power plant in Martin County, and a 10 megawatt solar photovoltaic project located at Kennedy Space Center.

Sections 403.501-403.518, F.S., are the “Florida Electrical Power Plant Siting Act.” Subsection 403.503(14), F.S., defines the term “electrical power plant” to mean any steam or solar electrical generating facility using any process or fuel, including nuclear materials, except that this term does not include any steam or solar electrical generating facility of less than 75 megawatts in capacity. Section 403.519, F.S., requires that the power plant siting process begin with a determination of the need for that power plant by the PSC. The commission is the sole forum for the determination of need. In making its determination, the commission is required to take into account the need for electric system reliability and integrity, the need for adequate electricity at a reasonable cost, the need for fuel diversity and supply reliability, whether the proposed plant is the most cost-effective alternative available, and whether renewable energy sources and technologies, as well as conservation measures, are utilized to the extent reasonably available. The commission must also expressly consider the conservation measures taken by or reasonably available to the applicant or its members that might mitigate the need for the proposed plant and other matters within its jurisdiction which it deems relevant. The commission's determination of need for an electrical power plant creates a presumption of public need and necessity.

### **III. Effect of Proposed Changes:**

**Section 1** of this bill creates s. 160.08, F.S., to provide local governments with supplemental authority to finance energy efficiency, renewable energy and wind resistance improvements to real property for participating property owners, which may be repaid through a local government levied non-ad valorem assessment, municipal or county lien, or other lawful method.

Subsection (1) of s. 163.80, F.S., provides legislative intent, confirming the policies created in the State Comprehensive Plan to promote energy conservation, energy security and reduce greenhouse gasses by continuing to provide a schedule for increases in energy performance of

buildings.<sup>28</sup> It also declares a state importance in making renewable energy, energy efficiency, and wind resistance improvements more affordable and enabling property owners, on a voluntary basis, to finance such improvements with local government assistance. Finally, it finds that the provisions in this act are reasonable and necessary to achieve a compelling state interest for the prosperity and welfare of the state, and its property owners and inhabitants.

The bill provides definitions for the following terms: “local government,” “qualifying improvement,” “energy conservation and efficiency improvement,” “renewable energy improvement,” and “wind resistance improvement.”

The bill authorizes a local government to adopt an ordinance or resolution under which a property owner may apply to the local government for funding to finance a qualifying improvement and enter into a financing agreement with the local government, with the local government to recover its costs through a non-ad valorem assessment, a municipal or county lien, or pursuant to any other lawful method. Specific terms are provided for collection as a non-ad valorem assessment or as a municipal lien paid through a surcharge on a utility or other municipal service bill.

A local government may incur debt for the purpose of providing the improvements, payable from revenues received from the improved property or any other available revenue source as authorized by law.

A local government may enter into a financing agreement only with the owner of record of the affected property. Before entering into a financing agreement, the local government must reasonably verify that, during the past 3 years or the property owner’s period of ownership, whichever is less, all property taxes have been paid, there are no involuntary liens, and no notices of default or other evidence of property-based debt delinquency have been recorded; and that the property owner is current on all mortgage debt on the property.

If there is a mortgage encumbering or otherwise secured by the property, the total amount of any non-ad valorem assessment or municipal or county lien may not exceed 20 percent of the just value of the property as determined by the county property appraiser without the consent of the holders or loan servicers of the mortgage or other encumbrance. This limit does not apply if there has been an energy audit that demonstrates that the annual energy savings from the qualified improvement equals or exceeds the annual repayment amount of the non-ad valorem assessment or municipal or county lien.

If there is a mortgage or other encumbrance on the property, at least 30 days before entering into a financing agreement, the property owner must provide to the holders or loan servicers of the mortgage or other encumbrance notice of intent to enter into a financing agreement, together with the maximum principal amount to be financed and the maximum annual assessment necessary to repay such amount. Any provision of any agreement between a mortgagee or other lienholder and a property owner allowing for acceleration of payment of the mortgage, note, or lien or other unilateral modification solely as a result of entering into a financing agreement is not enforceable. This subsection does not limit the authority of the holder or loan servicer to

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<sup>28</sup> Chapter 187, F.S.

increase the required monthly escrow by an amount necessary to annually pay the qualifying improvement assessment.

A qualifying improvement must be affixed to an existing building or facility that is part of the property and constitutes an improvement to the building or facility or a fixture thereto. An agreement between a local government and a qualifying property owner may not cover projects to improve wind resistance in buildings or facilities under new construction or construction for which a certificate of occupancy or similar evidence of substantial completion of new construction or improvement has not been issued.

A local government may enter into a partnership with one or more local governments for the purpose of providing and financing qualifying improvements, using this section, other applicable law, or its home rule power. A local government may have its qualifying improvement program administered by a for-profit entity or a not-for-profit organization.

Any work requiring a license under any applicable law to make a qualifying improvement must be performed by a contractor properly certified or registered pursuant to part I or part II of chapter 489.

No provision of any agreement between a local government and a public or private power or energy provider, or other utility provider, may limit or prohibit any local government from exercising its authority under this section.

This section must be construed to be additional and supplemental to county and municipal home-rule authority and not in derogation thereof or a limitation thereon.

**Section 2** of the bill amends s. 366.92, F.S., on renewable energy. The bill deletes obsolete language requiring the PSC to adopt rules establishing a renewable portfolio standard by February 1, 2009. The bill also expands the existing authority for IOUs to obtain full cost recovery of costs related to clean energy projects to up to 300 MW in 2010 and up to 200 MW more annually in 2011 and 2012, plus up to 15 MW for 2010 and up to 10 MW annually for 2011 and 2012, which must be rooftop or pole-mounted solar energy applications.

**Section 3** of the bill creates s. 366.921, F.S. It provides that, notwithstanding s. 403.519, F.S., which requires that the PSC make determination of need for a proposed electrical power plant, the Legislature finds that there is a need for Florida renewable energy resources. Presumably, this replaces the requirement for such a determination by the PSC. The bill also requires providers of Florida renewable energy resources to acquire PSC approval before the construction, conversion, licensing, and operation of a facility producing such resources or the purchase of capacity or energy from a facility producing such resources. It sets out a list of factors that the PSC must consider “before approving the petition” in essence requiring approval of all petitions. The listed considerations are whether the:

- proposed facility employs reasonable and customary industry practices in the design, engineering, and construction of the facility producing the Florida renewable energy resource in a cost-effective manner that is appropriate to the proposed technology and location of the facility;

- entity, including a provider, which would engineer, design, and construct the proposed facility has the requisite technical and financial qualifications, expertise, and capability;
- entity, including a provider, which would operate the proposed facility has the requisite technical qualifications, expertise, and capability;
- proposed production of the Florida renewable energy resource will have a positive impact on the environment, including the reduction of greenhouse gas emissions;
- proposed production of the Florida renewable energy resource will result in local economic benefits, including job creation, for the state's economy;
- proposed Florida renewable energy resource will enhance the fuel diversity of the provider; and
- proposed facility producing the Florida renewable energy resource will mitigate or avoid the use of water resources in the production of renewable power.

The PSC must schedule a formal administrative hearing on a petition within 10 days after the date of the filing, and it must vote on the petition within 120 days after such filing.

The commission's final order approving a facility must include express authorization for annual cost recovery pursuant to ss. 366.92 and 366.8255.

**Section 4** amends s. 403.503(14), F.S., which defines the term "electrical power plant" for purposes of the requirement of obtaining a determination of need before constructing such a plant. The bill deletes solar power from this definition.

**Section 5** states that this act shall take upon becoming a law.

#### IV. Constitutional Issues:

##### A. Municipality/County Mandates Restrictions:

None.

##### B. Public Records/Open Meetings Issues:

None.

##### C. Trust Funds Restrictions:

None.

##### D. Other Constitutional Issues:

Article I, section 10, of the State Constitution, prohibits the enactment of any law that impairs contract obligations.<sup>29</sup> Section 163.08(13), of this bill (**lines 261-2267**) provides that:

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<sup>29</sup> Art. I, s.10, of the Florida Constitution.

“A provision of any agreement between a mortgagee or other lienholder and a property owner or otherwise now or hereafter binding upon a property owner allowing for acceleration of payment of the mortgage, note or lien or other unilateral modification solely as a result of entering into a financing agreement as provided for in this section is not enforceable.”

Section 163.08(14), of this bill (lines 271-274) provides that:

“A provision of any agreement between a local government and a public or private power or energy provider, or other utility provider, may not limit or prohibit any local government from exercising its authority under this section.”

These provisions may impair certain contractual obligations, which would violate Article 1, s.10, of the State Constitution.

## **V. Fiscal Impact Statement:**

### **A. Tax/Fee Issues:**

Section 1 of this bill authorizes local governments to finance energy efficiency and renewable energy improvements, and changes or improvements made for the purpose of improving a property’s resistance to wind damages for property owners that wish to participate in this financing program on a voluntary basis. Local governments may levy a non-ad valorem assessment for such improvements that shall be repaid through an assessment, a municipal or county lien, or other lawful method. None of these are taxes or fees for government services.

Sections 2-4 of the bill may increase gross receipts tax revenue, since ratepayers of a utility constructing a renewable energy will pay more for electricity. The Revenue Estimating Conference has not determines what, if any, the impact will be.

### **B. Private Sector Impact:**

This bill may encourage owners and builders of residential and commercial property to install energy efficiency, renewable energy, and/or wind resistance improvement devices, by providing a public option for financing these improvements at lower initial costs. The installation of renewable energy and energy efficiency devices on residential and commercial properties will reduce greenhouse gasses and lower fossil fuel use. Property owners that install wind-resistance devices will reduce wind damage and may also be eligible for wind-storm mitigation discounts and premiums as provided in s. 627.06501, F.S.

Ratepayers of a utility constructing a renewable energy project will pay for the project through an increase in their utility bill. The PSC has projected both the cost and the impact on an average residential customer’s monthly bill, using five different cost levels.

The total annual incremental cost<sup>30</sup> for 735 megawatts of renewable energy (assumed to be solar energy) ranges from \$145.5 million to \$374.5 million, the impact on a monthly bill ranges from \$1.01 to \$2.61 (assuming the 735 megawatts are spread evenly over the four IOUs).

This bill also has the potential to create new jobs in the state and benefit the insurance, solar energy and construction industries.

### C. Government Sector Impact:

This bill directs local governments to adopt a model financing program but does not mandate any specific structures or procedures for such program. Therefore, the level of funding is left to the discretion of the local government.

The bill reduces the role of the PSC in making a determination of need for a proposed electrical power plant and approving the construction, conversion, licensing, and operation of a renewable energy facility.

## VI. Technical Deficiencies:

None.

## VII. Related Issues:

As reported by the *Wall Street Journal*, the Federal Housing Finance Agency has raised concerns about programs that finance energy improvements through non-ad valorem assessments, because the debt created to pay for energy improvements would be senior to existing mortgage debt, so if the homeowner defaults or goes into foreclosure, the PACE loan would be paid before the mortgage lender gets any money<sup>31</sup>. Critics of the program also express concern that homeowners, prodded by contractors, could pile on more debt at a time when home values are falling.

## VIII. Additional Information:

### A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

#### CS by Finance and Tax on April 6, 2010:

- The Committee Substitute allows financing under this program for improvements to new construction for purposes of energy efficiency and renewable energy, but not for wind resistance improvements.
- It significantly amends Florida's renewable energy policy. It requires that the Public Service Commission provide for full cost recovery for certain renewable energy projects; provides a legislative finding of need for these projects, avoiding the existing statutory requirement for the PSC to make such a determination; and

<sup>30</sup> The incremental costs may actually be higher than projected. Incremental costs were produced by subtracting a per kilowatt hour avoided energy cost of six cents per kilowatt hour. If avoided costs are lower, incremental costs will be higher.

<sup>31</sup> "Loans to Go Green Irk Fannie, Freddie," *Wall Street Journal*, Thursday, March 25, 2010.

requires that the commission approve a petition filed by a provider for approval of a facility after considering specified factors.

- It redefines the term “electrical power plant” for purposes of the Florida Electrical Power Plant Siting Act to exclude solar electrical generating facilities.
- It is effective upon becoming a law.

**CS by Community Affairs on March 17, 2010:**

- This Committee Substitute (CS) creates s. 163.08, F.S., to provide supplemental authority for local governments to finance energy efficiency and renewable energy improvements, and changes or improvements made for the purpose of improving a property’s resistance to wind damages; for property owners that wish to participate in this financing program on a voluntary basis.
- The CS authorizes local governments to levy a non-ad valorem assessment for such improvements, repayable through an assessment, a municipal or county lien, or other lawful method.
- The CS grants local governments the authority to issue debt, payable from revenues received from the improved property and to partner with one or more local governments for the purpose of providing such improvements.
- The CS requires qualified improvements to be affixed to an existing building or facility that is part of the property and be made by a certified or registered contractor.

The CS deletes provisions related to the establishment of district boards.

**B. Amendments:**

None.